

1953

AIA Annual report 1952-53

American Institute of Accountants

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1952
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1953

ANNUAL REPORT

AMERICAN INSTITUTE OF ACCOUNTANTS



A SUMMARY
OF ACTIVITIES OF
THE NATIONAL
PROFESSIONAL SOCIETY
OF CERTIFIED
PUBLIC ACCOUNTANTS

1952
1953

ANNUAL REPORT

AMERICAN INSTITUTE OF ACCOUNTANTS
270 Madison Avenue • New York 16, New York

OFFICERS AND EXECUTIVE COMMITTEE: 1952-53

J. A. PHILLIPS, *President*
THORNTON G. DOUGLAS, *Vice President*
SAMUEL W. ESKEW, *Vice President*
COLEBURKE LYONS, *Vice President*
MARK E. RICHARDSON, *Vice President*
HAROLD R. CAFFYN, *Treasurer*

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ARTHUR B. FOYE
J. WILLIAM HOPE
SAUL LEVY
MAURICE H. STANS
ROBERT E. WITSCHHEY

JOHN L. CAREY, *Executive Director*

Left to right: Stans, Lyons, Comer, Foye, Levy, Richardson, Phillips, Carey, Hope, Caffyn, Eskew, Witschey, Douglas and Black.



A MESSAGE

from

THE PRESIDENT

YOUR AMERICAN INSTITUTE OF ACCOUNTANTS. What is the most important contribution which it can make to its members?

Probably each of you would have a different answer. Some of you might cite its leadership in developing standards to guide the profession; some of you might acclaim its publications, its meetings, or its defense on many fronts of the CPA's rightful place in the "picture"; still others might emphasize its efforts to stimulate increased interest in the profession's services.

The diversity of the replies would be convincing proof of its success — for its success can be measured at least in part by its ability to satisfy the varying needs of its growing membership.

I would be inclined to answer the question by saying that the Institute, above all, must instill in us deep pride in our profession. To do this, it must be worthy of our highest aspirations. It must act with dignity and yet with human warmth; it must command respect in the most influential quarters; it must be eternally alert to promote ideals which, amid the distractions of our daily life, we might occasionally neglect. Only thus can it create an image of the profession in the public mind which will be a source of inspiration to us.

If we require the Institute to represent us in this manner, however, we should recognize that its actions can directly affect our well-being in many ways. We would be foolish indeed, therefore, if we did not subject its management to careful scrutiny. This is a

responsibility which cannot be wholly transferred to officers and committees; every member of the Institute must assume a fair share of the duty.

This annual report will help you in the task ahead. Obviously, it cannot cover in such limited space all of the activities of the organization even within a twelve-month period. Nor can it adequately recognize the sacrifice of individual members who have served on its Council and on its committees. This is a particularly unhappy omission because every item mentioned in these pages represents an untold number of man-hours of work, in planning, policy-clearance, and execution, on the part of the membership. That broader view of the Institute can only be obtained by consulting the full committee reports, which are available on request.

Nonetheless, despite its brevity, this summary offers every member a chance to review, with a critical eye, some of the year's major projects. I hope that you will read it — and that you will not hesitate to speak out, in praise or blame, on any development recorded here. You can do more. You can take an active part, through your state societies and the Institute, in shaping the profession's destiny; and in doing so, of course, you will be determining your own future as a member of it.

One personal observation in closing. The presidency of this organization is the highest honor which can be bestowed on any accountant. It is also a rare opportunity to gain an insight into the far-flung daily operations of the Institute, to realize the often unheralded devotion of literally hundreds of men and women, to catch a glimpse now and then of the limitless possibilities in the growth of our profession. For both that honor and that opportunity, I will always be grateful.

A handwritten signature in black ink, appearing to read "J. H. R. Smith". The signature is fluid and cursive, with a large loop at the beginning and a long, sweeping tail.

A YEAR OF CONTINUING GROWTH

This sixty-sixth year in the history of the American Institute has been another year of growth — in the number of its members, in the extent of its resources, in the size of its staff.

As a result, it has been able to broaden the scope of its activities. It has expanded and improved its publications, provided increased aid to the state societies of CPAs, participated in more meetings to advance the skills of its members. These, and its other regular services, offer tangible evidence of its day-to-day usefulness.

Perhaps its most significant contribution, however, has been made in organizing the profession's continuing efforts to step up the recruitment of qualified personnel . . . to improve the education and training required of CPAs . . . to define sound accounting and auditing procedures . . . to secure greater opportunities for public service . . . to defend the CPA's established role in the tax field. The benefits to be derived from this work are not always immediately visible; but, over the years, it has enhanced the CPA's reputation and strengthened his position in the American economic system. It has also had a substantial effect both upon the volume and the level of his accounting practice.

This report, while briefly covering the regular services performed by the Institute, will center most of its attention on these major projects.

BIGGER SHARE OF THE BETTER BRAINS

“The strength of a profession depends on the caliber of the individuals who make it up. Thus any success we may have in improving the caliber of those who join the profession must make for a stronger profession, one capable of rendering greater service and one entitled to increasing public respect.”

These are the final words of a report submitted last spring to the Institute's Council by the committee on the development of accounting personnel. The report, proposing a full-scale campaign to recruit a bigger share of the better brains of the younger generation, won the approval of the Institute's governing body.

The program is expected to cost at least \$80,000 during this year and next. It includes:

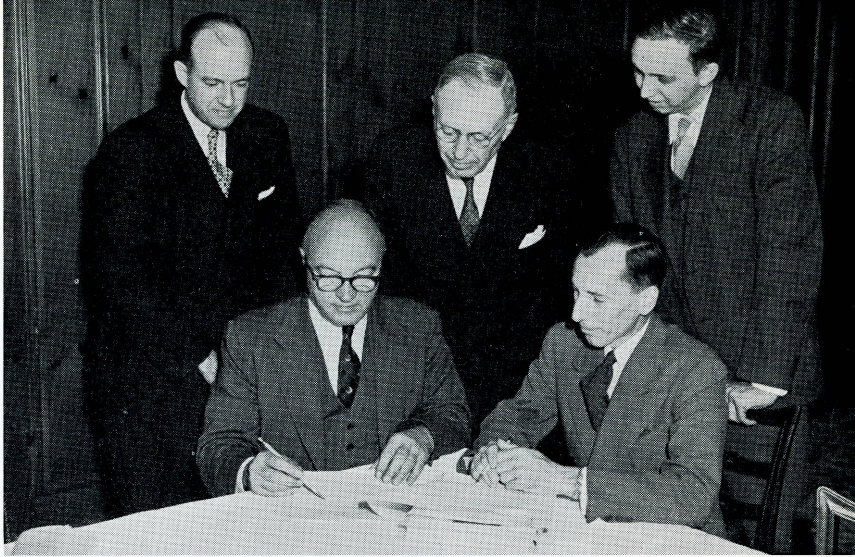
Conferences with high school principals and guidance counselors throughout the country • Methods of arranging and conducting these interviews to enlist the aid of educators in interesting top students in accounting were discussed in a “personnel project package” sent to all state societies early in the year. Pattern speeches on accounting as a career were enclosed; but more than 600 additional copies of the talks were mailed directly to members on request.

Production of a career motion picture • A 20-minute dramatic film on the work and rewards of a CPA will be released late in the fall.

Preparation of new printed materials • The first of these documents, a four-page leaflet entitled “Professional Help Wanted,” is ready for publication; a more comprehensive booklet is nearing completion. Meanwhile, more than 16,000 copies of two earlier pamphlets — “A Career in Public Accounting” and “The CPA Examination: Gateway to a Profession” — were distributed during the year.

Accounting orientation test for high schools • After several months of work, the test is now ready for use — and should serve to attract promising young men and women to the profession before their

Personnel committee members review career film script. Seated (left to right), Chairman Samuel J. Broad and Raymond G. Ankers. Standing (left to right), Mark D. Littler, Hiram T. Scovill and Robert M. Musselman. Over half a million high school students are expected to see the movie in the next two years.



commitment to some other calling. It supplements the college and employment level tests which the Institute developed in 1946 to measure accounting aptitude, interest and achievement. More than 19,500 of these latter tests were given this year in colleges (a slight decline from last year) and 2,500 ordered by accounting and industrial firms (a modest increase). The Institute, in addition, assisted in a study of the kinds of interests displayed by typical accountants to develop a pattern which will be utilized by high school counselors in connection with the popular vocational preference tests developed at Duke University.

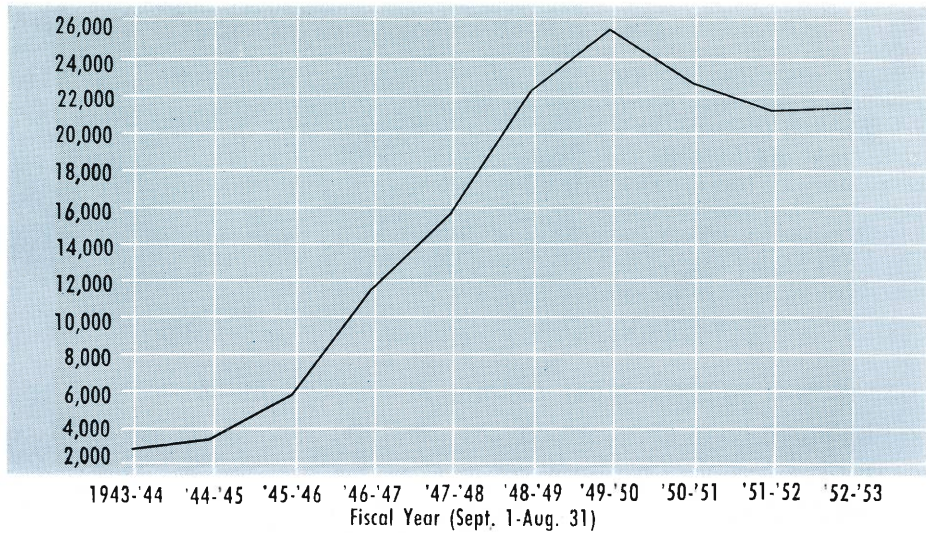
Still in the planning stages • Continuing research on the employment practices of accounting firms and on their future personnel needs, consideration of possible facilities for continuing education; and the development of cooperative staff training courses to permit full utilization of existing personnel.

TARGET: MORE MEN, BUT NOT LESSER MEN

While striving to accelerate its remarkable past rate of growth (an increase of over 100 per cent in ten years), the profession continued to maintain its high standards of admission through the uniform CPA examination — now used in every state and territory.

More than 21,500 candidates took the Institute-prepared exami-

NUMBER OF CANDIDATES TAKING THE UNIFORM CPA EXAMINATION 1943-1953



nation in November and May; and 50,600 subject papers were graded for state boards of accountancy by a staff of some 70 CPAs assembled by the Institute.

At the same time, in a further effort to improve its admission standards, the profession launched an extensive program of research to determine the type and extent of training best designed to equip CPAs to meet their present and future responsibilities.

The studies, conducted by Leslie J. Buchan, former provost of Washington University in St. Louis, under the policy direction of an independent commission of 25 prominent educators and practitioners, will appraise current education for accountancy, methods of obtaining qualifying experience, and the nature and results of the uniform examination. The Institute, a leader in organizing this major endeavor, has already advanced \$20,000 to the commission and has underwritten its remaining costs up to \$50,000.



Study Director Leslie Buchan (right) met with several small groups to discuss the scope of the study on standards of education and experience. Here he confers with Carroll V. Newsom, associate commissioner of education of the State of New York.

The commission's final report will almost certainly have a powerful impact upon the varying educational and experience requirements set by state laws for the CPA certificate as well as upon the whole course of preparation for future members of the profession. Both of these developments, in turn, will further enhance the CPA's social and economic status.

THREE STEPS TOWARD GREATER UNIFORMITY

During the year, the Institute's Council took three other steps in the field of accountancy legislation.

1. It urged state societies, whenever feasible, to sponsor legislation empowering state boards of accountancy to issue rules of professional conduct if the boards lacked such authority — thus bringing all CPAs, rather than members of professional societies only, under an ethical code. New York adopted a statute to accomplish this objective in 1952; Pennsylvania did so late in the spring.

2. It approved the issuance of a report by the interstate practice committee summarizing the committee's views on desirable interstate practice provisions.

3. It authorized the state legislation committee to prepare a series of bulletins setting forth pro-and-con arguments — and indicating the committee's preferences — on other disputed points of state legislation. The first of these is slated to be published later in the fall.

While engaged in these efforts to encourage greater uniformity in state accountancy legislation, the profession had to resist a number of serious attacks upon the integrity of the CPA certificate. Some 95 bills of interest to CPAs were introduced in state legislatures. One of them, which grants continuing recognition to a non-CPA group, was adopted; several others with a similar purpose were defeated only by narrow margins. In order to strengthen the state societies' ability to resist these attacks, the Institute revised much of its legislative material — and promised more such assistance in the months ahead.

THE TASK OF RAISING TECHNICAL STANDARDS

Late in the summer, the Institute published a restatement of nearly all of the forty-two accounting research bulletins issued since the first of these guides to better practice was written thirteen years ago. This was the culmination of three years of labor by the committee on accounting procedure, by numerous other members of the profession, by the research staff and by dozens of other interested organizations. The importance of this 150-page booklet would be difficult to exaggerate. It is not only an essential tool for every practitioner; it demonstrates anew the profession's determination to strive continually for improvement in its standards — thus removing all justification for any outside agency assuming that responsibility.

The committee on accounting procedure also released three other new or revised bulletins on the accounting treatment for emergency facilities, stock dividends and split-ups, and compensation involved in stock-options and stock-purchase plans.

The eight bulletins on terminology, originally issued in the accounting series, were summarized in a separate pamphlet. In launching the new series, the committee on terminology predicted that their field would provide "stimulating subjects for future bulletins as the practice of the art of accounting is kept abreast of the times."

The committee on auditing procedure, having completed a similar codification of its own statements in 1951, directed much of its attention during the year to a nation-wide survey of audit reports submitted to banks for credit purposes. Double aim of the study: to gauge how well the profession is discharging its responsibilities in preparing such reports, and to develop a better understanding of the reports among bankers and other credit executives in order to secure their support for independent audits by CPAs. Thirty-two state societies are participating in the survey. A preliminary tabulation of the 10,000 questionnaires expected from the cooperating banks will be completed later in the fall; a final summary will be ready next spring.

In an attempt to increase further the profession's usefulness to bankers, the Institute also produced a "case study" package on the

activities of CPAs in several states to stem, through better bank audit controls, a nation-wide increase in defalcations.

CPAs gained additional help from the Institute's library. More than 10,000 visitors used this vast collection of accounting literature; 9,000 pieces of printed material were furnished to members on request; and over 16,000 inquiries were answered. . . . The Technical

Both the survey and the bank audit programs were discussed in Institute-drafted articles which appeared in such publications as Banking, official organ of the American Bankers Association, and Burroughs Clearing House.



Information Service responded to 873 questions from almost every state in the Union and a dozen foreign countries. . . . The annual meeting of the Institute in Houston — designed to broaden the profession's horizons of knowledge — attracted an attendance of 1,800. . . . Assistance in program-planning and promotion was rendered to four regional conferences, eight graduate study seminars, and scores of state society and chapter meetings.

A CLEARING-HOUSE FOR KNOW-HOW

The Institute continued to function as a clearing-house for information on the practical day-to-day problems of operating an accounting firm.

One of its greatest aids to the profession in maintaining a high level of service was the *CPA Handbook* — a comprehensive work on all phases of accounting practice which was completed in the spring after nearly three years of preparation. It received an enthusiastic welcome: even before the second of the two volumes had appeared, orders for the set (\$18 for members, \$27 for non-members) had exceeded 9,000 copies.

For some of the other 1952-53 publications, see pages 16-17.

THE WORK OF SELF-DISCIPLINE

In aiding the profession to discharge its vital task of self-discipline, the ethics committee of the Institute was obliged this year to refer two serious complaints to the Trial Board for hearings. Result: both offenders were expelled from membership. Twenty-six other complaints — most of them concerning relatively minor infractions — were also thoroughly investigated.

The Institute used various means to carry out its additional responsibility of promoting conformity to its rules of professional conduct:

1. It sent 31 requests to the ethics committee for interpretation of the rules. Some of the committee's more significant opinions are now appearing regularly in *The CPA* for the information of the whole membership.

2. It arranged a discussion of competitive bidding at a meeting of regional directors of the U. S. Rural Electrification Administration.

There were many public service contributions by CPAs during the year. One example: T. Coleman Andrews as new Commissioner of Internal Revenue. At an Institute banquet in his honor, Mr. Andrews (left) receives scroll from President Phillips. Treasury Secretary Humphrey looks on.



3. It collaborated with state societies in the development of special welcoming ceremonies to impress upon new CPAs, the importance of observing the profession's rules of ethics.

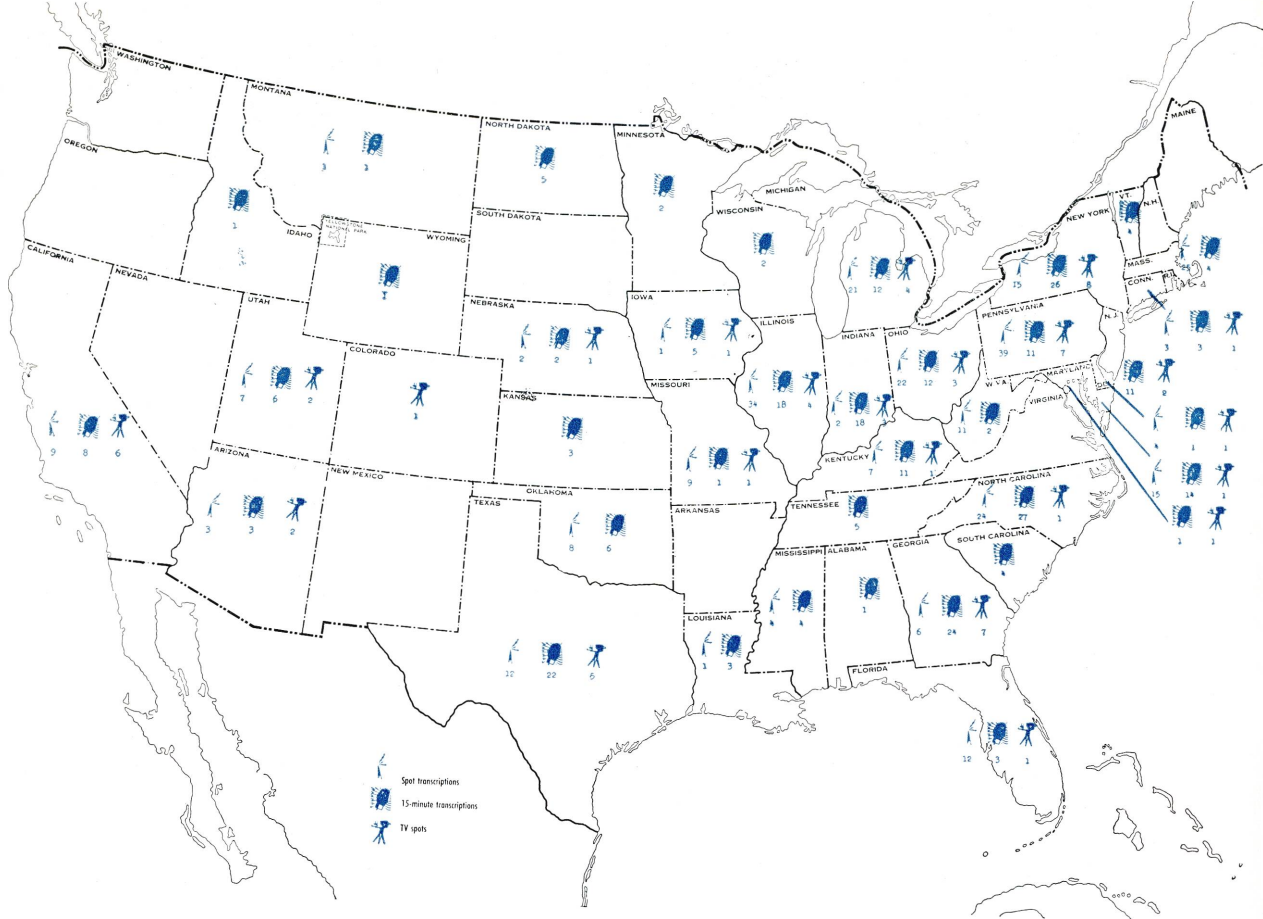
THE RECORD OF PUBLIC SERVICE

Perhaps the profession's most notable service to the nation was performed in the field of federal taxation.

Last year, after months of deliberation, the federal taxation committee drafted 60 recommendations to improve the revenue laws. When these proposals were presented to Congress in December, Chairman Daniel A. Reed of the House Ways and Means Committee issued a challenge to the profession. Pointing out that tax laws were not always in accord with recognized accounting principles, he said: "One of the most important contributions which could be made towards income tax simplification would be to require reporting for income tax purposes to conform to established business methods of reporting income. . . . I have heard the suggestion made that it would be helpful if accounting groups could prepare a code of recognized accounting principles and methods of accounting. If this were done, it might be easier for a taxpayer to compute his income tax in accordance with sound accounting principles and methods."

The Institute promptly accepted the challenge, naming a special seven-man committee to develop the information sought by Chairman Reed. It expects to release its report later in the fall before Congress begins a general overhaul of the tax laws.

While seeking to improve the existing revenue laws, the Institute tried to assist the average taxpayer in his ordeal of compiling his return. For this purpose, it again cooperated with state societies in furnishing material (praised by officials of the Internal Revenue Service) to radio and television stations across the country. Tax-hint articles were published by several hundred employee, stockholder and trade publications.



Radio and Television Programs • In addition to the AIA-prepared programs shown above, many societies and chapters sponsored locally-produced radio and TV shows.

Some of the Institute's other public-service projects:

1. It continued to aid the armed forces in expediting the assignment of qualified accountants in uniform to duties requiring their professional talents. Number of such cases: 64.
2. It reviewed chapters on audit procedures in a contract audit manual and a revised statement of cost principles for the office of the Secretary of Defense.
3. It submitted recommendations for a revision of Treasury Circular 230 which governs practice before the Treasury Department.
4. It helped to organize an interprofessional council on federal government accounting, and it was represented on an advisory committee appointed by the Commissioner of Internal Revenue.
5. It joined the legal profession in endorsing a bill (later approved by Congress) providing retirement benefits for Tax Court judges.

THE WASHINGTON SCENE

The Institute also acted in a number of fields to protect or promote the legitimate self-interest of CPAs. Much of this work was done in Washington where more than 45 bills of at least potential concern to the profession were introduced in Congress.

With other professional societies, the Institute gave vigorous support to a non-partisan measure (the Jenkins-Keogh bill) which would allow professional men and other self-employed people to defer tax payments on income set aside in a restricted retirement fund. . . . It continued to endorse the Mills bill which would create an independent board for the settlement of tax controversies. . . . It testified in hearings on an administrative procedures bill to suggest amendments to insure that the measure would not affect the CPA's admission to practice before administrative agencies.

During the year, the Institute reconsidered its position in regard to the exclusion of CPAs from old-age benefits under the Social Security Act. The Council by resolution endorsed an extension of coverage to all self-employed practitioners if the Eisenhower Administration recommended such a change. The President did so shortly before Congress recessed.

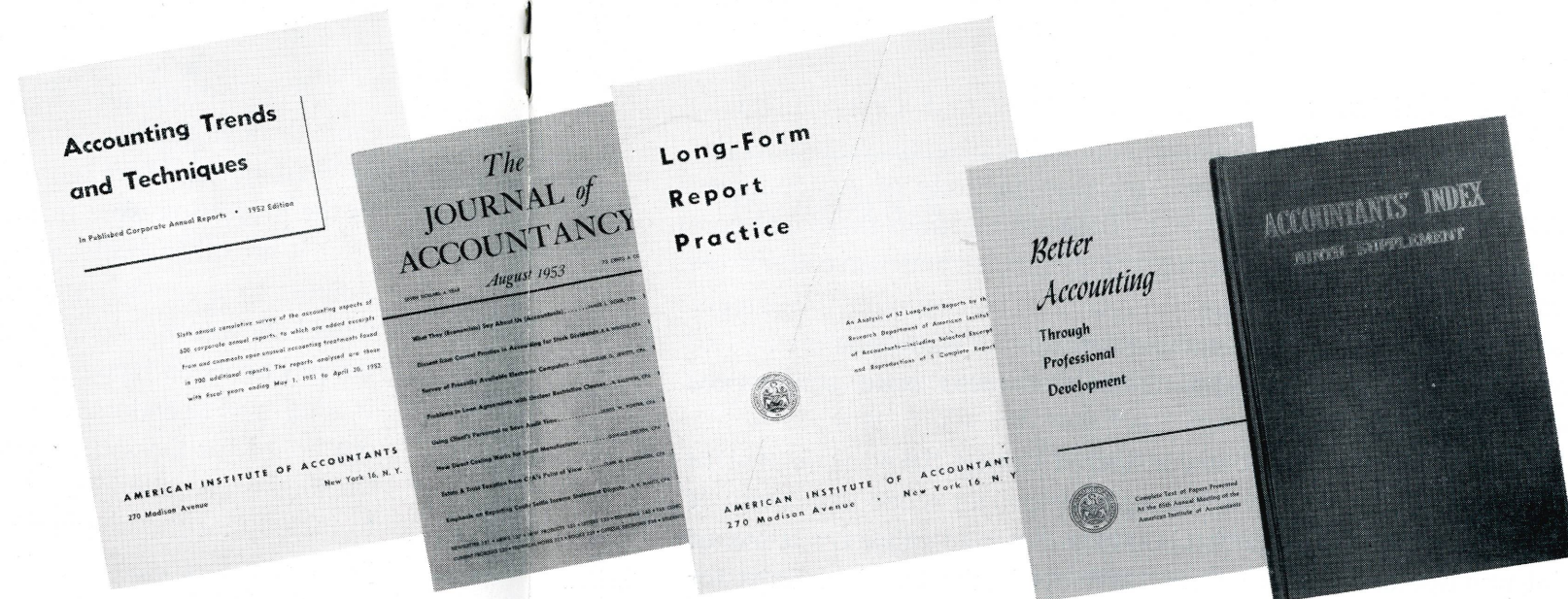
Two other Washington developments:

1. After almost a year of effort on the part of the Institute, federal salary controls were lifted from staff CPAs several months in advance of the Government's decision to abandon the controls program.

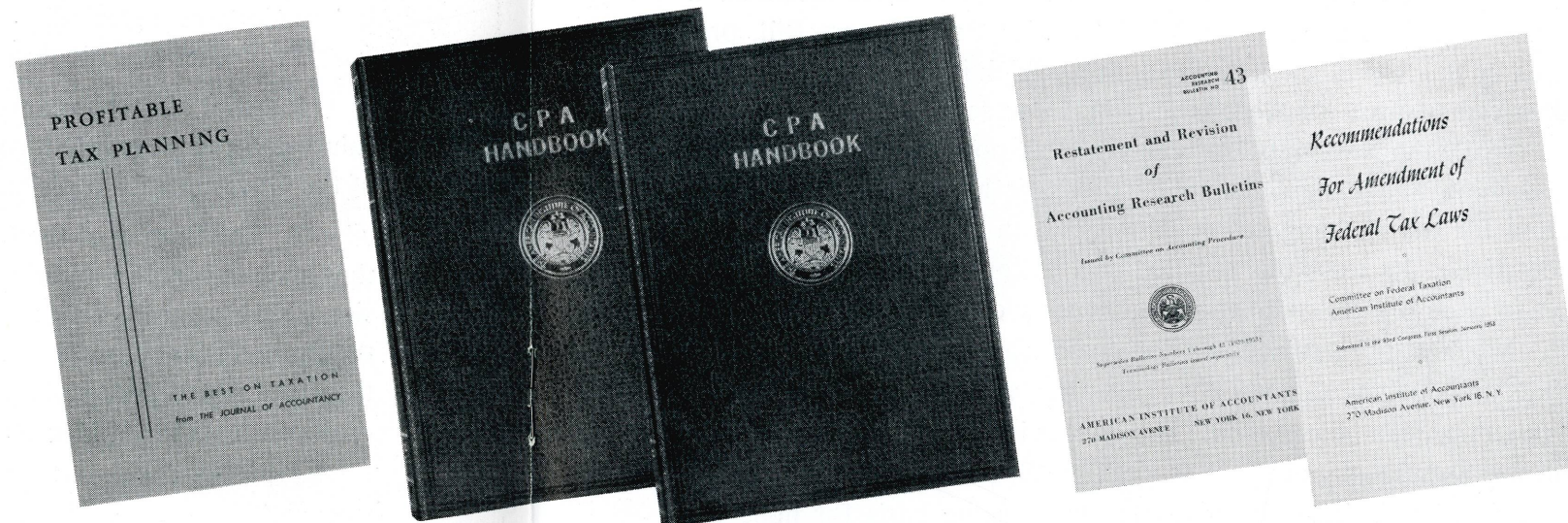
2. The Bureau of the Budget is considering an Institute request that accounting and auditing services be grouped with other professional services, rather than under miscellaneous business services, in the Bureau's Standard Industrial Classification. Pending such a shift, the Institute succeeded in having CPAs, like lawyers and doctors, excluded from the 1953 census of business.

ACCOUNTING TRENDS AND TECHNIQUES: The sixth yearly edition of this research-staff survey of over 1,000 published corporate annual reports. Price: \$10. Last year's edition sold more than 3,700 copies • THE JOURNAL OF ACCOUNTANCY: Circulation of the profession's outstanding technical organ again increased — from 63,459 a year ago to 65,339 today. Free to members. Non-member price: \$7 a year • LONG-FORM REPORT PRACTICE: An analysis of 52 long-form audit reports which includes selected excerpts and reproductions of five complete reports. Sent to all firms and individual practitioners. Other members may receive free copy on request. Additional copies: \$3 • BETTER ACCOUNTING THROUGH PROFESSIONAL DEVELOPMENT: Text of the papers delivered at the Institute's 1952 meeting. Free to all members at time of publication • ACCOUNTANT'S INDEX: A 512-page guide to accounting literature published during 1951-52. Price: \$10.

SOME OF
THE INSTITUTE'S
1952-1953



PUBLICATIONS



PROFITABLE TAX PLANNING: Reprints of 14 major tax articles from last year's Journal of Accountancy. Price: \$1 • THE CPA HANDBOOK: Two volumes and a supplement which discuss procedures, practices and methods in use by accounting firms and individual practitioners. Non-member price: \$27. Member price: \$18, with 20% discount for additional orders • RESTATEMENT AND REVISION OF ACCOUNTING RESEARCH BULLETINS: A single book restating previous bulletins on accounting principles issued by the Institute's committee on accounting procedure. One copy sent to all members. Additional copies: paper cover, \$2. Hard cover, \$3 • RECOMMENDATIONS FOR AMENDMENT OF FEDERAL TAX LAWS: A summary of suggestions for federal tax law revisions submitted by the Institute to the 83rd Congress in January 1953.

RELATIONS WITH THE LEGAL PROFESSION

The National Conference of Lawyers and Certified Public Accountants, consisting of five representatives from the American Bar Association and five from the American Institute of Accountants, held two meetings during the year. Between meetings there was considerable correspondence among the members, and sub-committees were appointed to make special studies. The National Conference also continued to encourage the formation of state conferences of lawyers and CPAs, and the number of these state conferences increased to 21.

The principal questions considered during the year related to employment of lawyers by CPAs and the proper scope of activity of the lawyer employee in such circumstances, and other questions of joint practice of lawyers and accountants in the tax field; suits for fees by certified public accountants in which the defense of unauthorized practice of law was raised (several of these suits have been settled, possibly through the encouragement of the National Conference, but one remains on a court calendar); the propriety of tax advice given by a certified public accountant in special circumstances; a proposed revised draft of an Administrative Practitioners Bill, prepared by the American Bar Association, which is unacceptable to the American Institute of Accountants in its present form.

While the National Conference has no power, except to express its opinion and make recommendations, it has proved a valuable forum for the exchange of opinion between spokesmen of the two professions. Its work has resulted in a better appreciation by members of each profession of the point of view of the other.

Much work remains to be done before a complete meeting of the minds among lawyers and CPAs generally, with regard to the field of tax practice, can be expected. The danger is always present that controversy may break out again at any time, and for this the Institute is preparing itself. There may, however, be some basis for hope for continual improvement in relations between the two professions in

PROMOTION AND PUBLICITY

It also expanded its program of furnishing articles to trade magazines alerting businessmen to their need for sound accounting. Thirty-five of these articles appeared last year, bringing to more than 100

[illegible]

the number published since the project began three years ago. Estimated potential readership: over 2,000,000. If plans developed during the year can be carried out, the impact of these trade pieces will be greatly strengthened by wider distribution of reprints on a local level.

PROVIDING GREATER SECURITY

The Institute's membership insurance program continued to grow. Insurance in force under the plan neared 64 million dollars, protecting over 1,700 firms and 11,000 individuals. Refunds to participating firms totaling \$153,500 brought the net monthly cost per thousand of insurance to 91 cents for the year ending September 30, 1952.

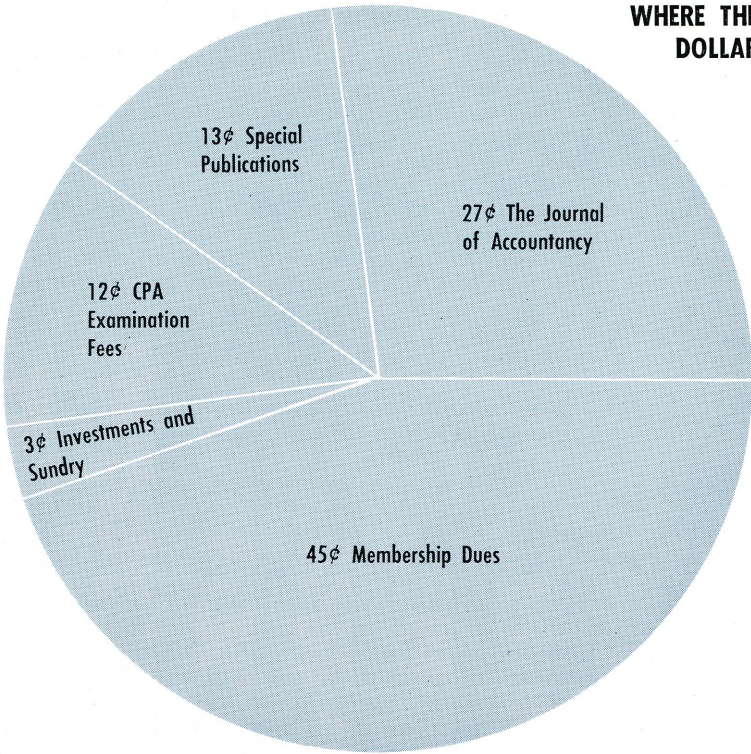
Under study: the possibility of making group insurance available to individual practitioners, who are not eligible under the current program.

THE STRENGTH OF NUMBERS

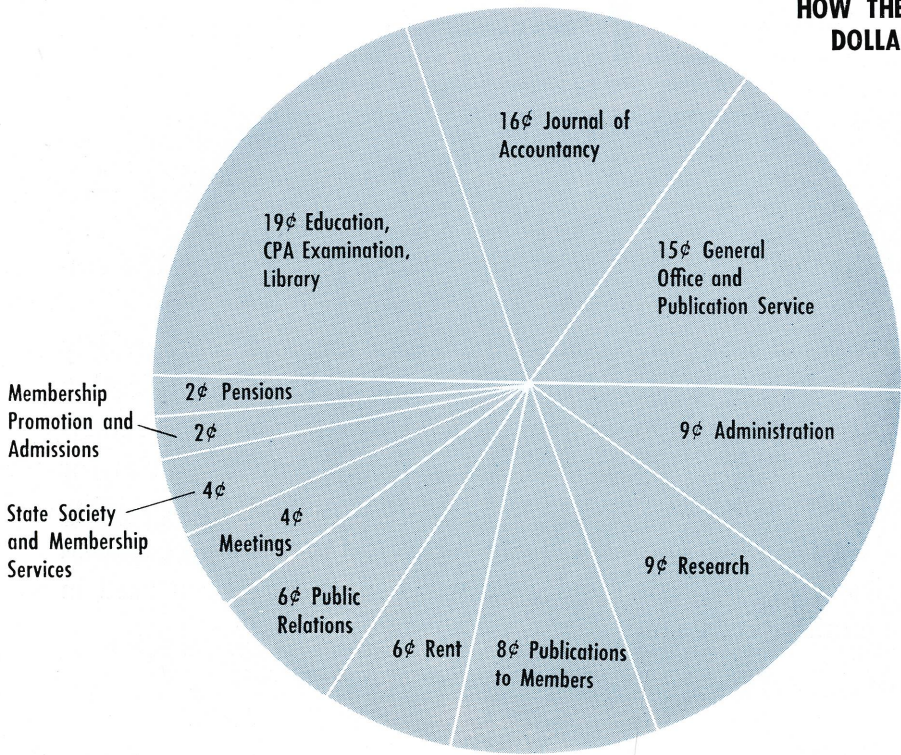
Last year the membership of the Institute reached 22,044 — a growth of 2,012 members, or an increase of 10 per cent.

It operated on a budget of over a million dollars. Major sources of income were: dues (\$579,166), sale of publications (\$160,201) and advertising and subscription revenue from *The Journal of Accountancy* (\$341,144). Revenue exceeded expenses by \$132,851. The full financial story, including an analysis of expenses by departments and activities, will be found on pages 26-30, with the auditor's opinion appearing on page 25.

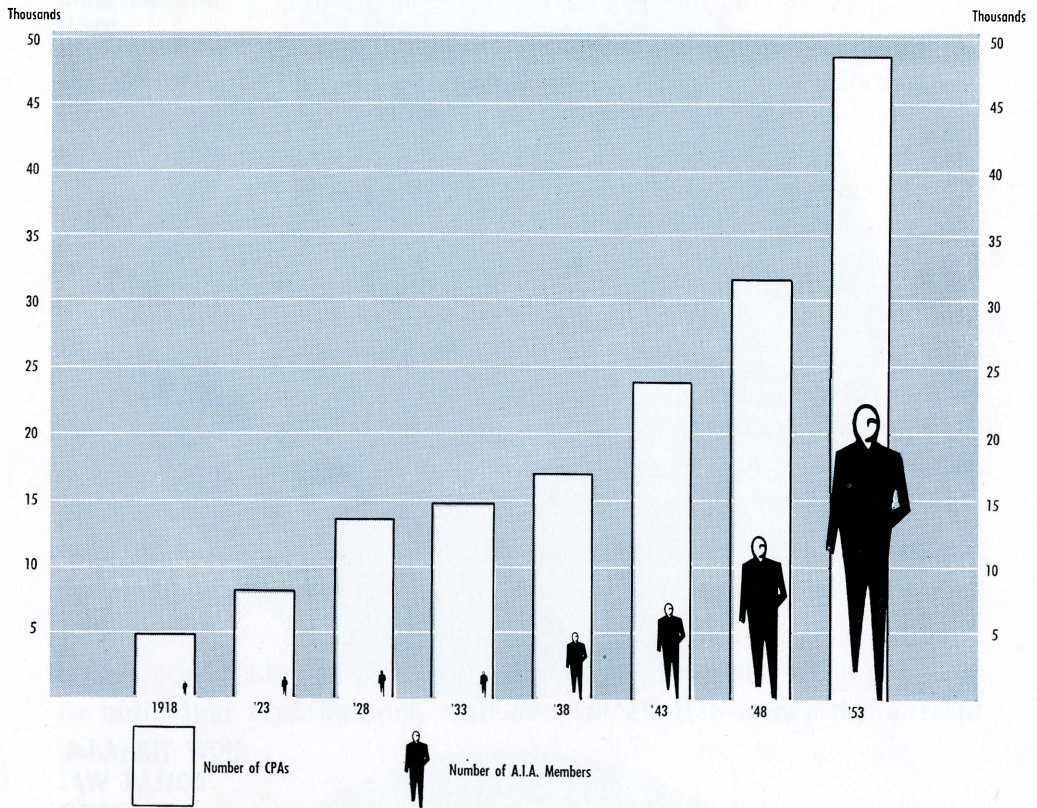
**WHERE THE A.I.A.
DOLLAR CAME
FROM**



**HOW THE A.I.A.
DOLLAR WAS
SPENT**



COMPARISON OF MEMBERS TO CPAs IN U.S.A.



At the end of the fiscal year, the number of full-time staff employees was 107 — an increase of 8.

Striving to keep in touch with its growing and more widely scattered membership, the Institute expanded its communication efforts. It completed a revamping of *The CPA*, monthly membership bulletin; it sent officers and staff directors into 34 cities for informal visits with members (in addition to arranging or providing material for 197 other speaking engagements); it produced the second in a series of tape-recorded addresses which have now been used in 56 communities in 29 states.

PARTNER OF THE STATE SOCIETIES

Because it relies heavily upon them, the Institute also devoted more time than ever before to improving its coordination with the state societies.

These independent organizations have had a parallel growth (26,403 to about 28,000 members last year alone). With greater numbers, many of them have become economically strong enough to hire part-time or full-time staff employees (four more of them did so during the year, bringing the total of staff-equipped societies to 27).

Through its newly formed state society and membership services department, the Institute continued to supply material to aid the societies on publicity, speakers bureau operation, meetings, membership promotion, and other aspects of state society management. In addition, it organized a special session for state society presidents during the April meeting of the Institute's Council and sponsored a work-level parley of ten full-time state society executives later in the

Thirty-five state society presidents considered problems of state organization at special session during Institute spring Council meeting.



spring. Problems of state society management will again be considered at Chicago in mid-October — at the regular conference for state society secretaries and at a technical session of the Institute's annual meeting. Out of all these discussions will come a program of integrated activities. Only the larger societies could execute the whole program; the others must select from it in terms of their own needs and resources. But even the existence of such an outline should help to channel the profession's full strength toward the achievement of common objectives.

EVEN MORE MUST BE DONE

This brief report on the Institute's 1952-53 activities should not close without noting the death of one of its distinguished leaders: Colonel Robert H. Montgomery. CPAs honored him not merely because his eighty years spanned much of their profession's modern history; they honored him because his vision was a vital factor in enabling them to achieve their present eminence.

"I am anxious to see fulfilled at the earliest possible date," he said at the turn of the century, "that hope which so many have just now — one national federation or association, one society in each state and all working together for the highest ideals which alone will bring respect from the public."

This review of the American Institute's sixty-sixth year indicates some of the progress which has been made toward the goal set by Colonel Montgomery half a century ago. No one, of course, would deny that even more must be done; but in view of the profession's rapid advancement in the past, there can be little doubt that the remaining tasks will be performed in the future.

FRANKE, HANNON & WITHEY

CERTIFIED PUBLIC ACCOUNTANTS

444 MADISON AVENUE

NEW YORK 22, N.Y.

WILLIAM B. FRANKE
RAYMOND J. HANNON
HOWARD A. WITHEY
WILLIAM J. PABREY
WILLARD R. SCHILLER

MEMBERS
AMERICAN INSTITUTE
OF ACCOUNTANTS

To the members of the
American Institute of Accountants:

We have examined the balance sheets at August 31, 1953 and the related statements of income and expense and fund transactions for the year then ended of the American Institute of Accountants, the American Institute of Accountants Foundation and the American Institute Benevolent Fund, Inc. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheets and statements of income and expense and fund transactions of the afore-mentioned organizations present fairly their financial position at August 31, 1953 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with the preceding year.

Franke, Hannon & Withey

New York, N.Y.
September 22, 1953

AMERICAN INSTITUTE OF ACCOUNTANTS
COMPARATIVE BALANCE SHEET — August 31, 1953 and 1952
GENERAL FUND

ASSETS			LIABILITIES AND FUNDS		
	<u>1953</u>	<u>1952</u>		<u>1953</u>	<u>1952</u>
Cash	\$ 64,154	\$173,970	Liabilities:		
Marketable securities, at cost (quoted market 1953 \$283,- 676; 1952 \$92,484)	294,646	95,788	Accounts payable and ac- crued expenses.....	\$ 57,659	\$ 51,281
Accounts receivable, includ- ing amounts billed for grading CPA examinations	71,570	64,285	Employees' deductions for insurance and savings bonds	267	259
Inventories at cost:			Due Elijah Watt Sells scholarship fund	94	212
In-process expenses of Sep- tember Journal, unrecover- ed cost of publications, paper stock, wrappers, and sundry prepublica- tion expense	24,863	20,544	Dues paid in advance....	45,098	14,264
Prepaid expenses	3,185	6,517	Subscriptions, advertising and other unearned in- come	173,986	146,625
Furniture and equipment ...	2	2		<u>\$277,104</u>	<u>\$212,641</u>
	<u>\$458,420</u>	<u>\$361,106</u>	Income retained for working capital	181,316	148,465
				<u>\$458,420</u>	<u>\$361,106</u>

CONTINGENCY FUND

Cash	\$ 18,342	\$ 15,613	Balance of fund	\$250,000	\$150,000
Marketable securities, at cost (quoted market 1953 \$226,- 395; 1952 \$134,510)	231,658	134,387			
	<u>\$250,000</u>	<u>\$150,000</u>		<u>\$250,000</u>	<u>\$150,000</u>

ENDOWMENT FUND

Cash	\$ 1,716	\$ 5,426	Principal	\$235,551	\$235,545
Marketable securities, at cost (quoted market 1953 \$285,- 439; 1952 \$295,752)	233,834	230,118			
Library books, furniture and equipment	1	1		<u>\$235,551</u>	<u>\$235,545</u>
	<u>\$235,551</u>	<u>\$235,545</u>			

ELIJAH WATT SELLS SCHOLARSHIP FUND

Marketable securities, at cost (quoted market 1953 \$1,423; 1952 \$1,485)	\$ 1,532	\$ 1,532	Principal	\$ 1,626	\$ 1,744
Due from general fund	94	212			
	<u>\$ 1,626</u>	<u>\$ 1,744</u>		<u>\$ 1,626</u>	<u>\$ 1,744</u>

STATEMENT OF CHANGES IN FUND BALANCES

Year Ended August 31, 1953

	<u>Income Retained for Working Capital</u>	<u>Contingency</u>	<u>Endowment</u>
Balance, beginning of year	\$148,465	\$150,000	\$235,545
Add or (deduct):			
Excess of income over expense	132,851	—	—
Gain on sale of securities	—	—	6
Transfer between funds	(100,000)	100,000	—
Balance, end of year	<u>\$181,316</u>	<u>\$250,000</u>	<u>\$235,551</u>

AMERICAN INSTITUTE OF ACCOUNTANTS

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Years Ended August 31, 1953 and 1952

INCOME:

	<i>1953</i>	<i>1952*</i>
Dues, application and reinstatement fees.....	\$ 579,166	\$ 425,558
Contributions from members.....	—	79,245
Fees from state boards of accountancy.....	156,891	147,150
Sale of publications other than The Journal of Accountancy, less production costs	160,201	110,307
The Journal of Accountancy:		
Subscriptions earned from non-members, sale of single copies, etc., less production costs	182,017	159,392
Advertising	159,127	146,696
Income from investments, including securities' income from American Institute of Accountants Foundation for library expense.....	30,467	26,955
Sundry income	3,383	3,681
TOTAL INCOME.....	<u>\$1,271,252</u>	<u>\$1,098,984</u>

EXPENSE:

Salaries, technical fees and social security taxes.....	\$ 529,718	\$ 450,568
Pensions	24,535	19,942
Legal and auditing.....	21,258	26,010
Stationery, printing, postage, telephone, supplies and other expense.....	71,061	67,659
Equipment and equipment maintenance.....	17,008	26,711
Rent, electricity, insurance, etc.....	73,520	72,873
Publications sent to members, including cost of The Journal of Accountancy and The CPA.....	90,646	88,458
Expense of uniform CPA examinations, including fees for preparation and grading, but excluding departmental salaries and overhead.....	118,988	110,297
Expense of annual, council and executive committee meetings.....	30,370	17,760
Travel	13,770	16,058
Technical and other committee expense.....	10,933	8,645
Expense of public relations department not included elsewhere.....	28,145	32,531
Expense of state society and membership services department not included elsewhere, and expense of state society staff meetings.....	5,733	719
Library books and magazines.....	6,098	5,511
Advertising and promotion (publications and The Journal of Accountancy) ..	76,651	55,552
Special projects:		
Development of accounting personnel.....	9,967	5,030
Commission on CPA standards.....	10,000	314
TOTAL EXPENSE.....	<u>\$1,138,401</u>	<u>\$1,004,638</u>

EXCESS OF INCOME OVER EXPENSE	<u>\$ 132,851</u>	<u>\$ 94,346</u>
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* For comparative purposes, the 1952 figures include operations of American Institute Publishing Co., Inc., a wholly owned subsidiary which was liquidated March 31, 1952.

AMERICAN INSTITUTE OF ACCOUNTANTS FOUNDATION

COMPARATIVE BALANCE SHEET

August 31, 1953 and 1952

ASSETS

	<i>1953</i>	<i>1952</i>
Cash	\$ 4,810	\$ 6,848
Marketable securities, at cost (quoted market 1953 \$72,033; 1952 \$79,390).....	72,694	74,601
	<u>\$ 77,504</u>	<u>\$ 81,449</u>

LIABILITIES AND FUNDS

Account payable.....	\$ 1,293	—
Unexpended balance of research project fund.....	130	\$ 5,597
Principal	76,081	75,852
	<u>\$ 77,504</u>	<u>\$ 81,449</u>

COMPARATIVE STATEMENT OF INCOME AND EXPENSE AND CHANGES IN PRINCIPAL

Years Ended August 31, 1953 and 1952

FOUNDATION FUND

Income from securities, less custodian fees — contributed to American Institute of Accountants for library expense.....	\$ 3,365	\$ 3,459
Principal, beginning of year.....	\$ 75,852	\$ 73,872
Contributions received.....	145	59
Gain on sale of securities.....	84	1,921
Principal, end of year.....	<u>\$ 76,081</u>	<u>\$ 75,852</u>

RESEARCH PROJECT FUND

Contributions	\$ 1,000	\$ 1,000
Income from testing program.....	14,622	15,983
TOTAL INCOME.....	<u>\$ 15,622</u>	<u>\$ 16,983</u>
Expense:		
Payroll	\$ 14,620	\$ 15,748
Professional services	1,200	1,272
Rent	2,000	2,000
Supplies, printing, postage and other expense.....	3,269	5,268
TOTAL EXPENSE.....	<u>\$ 21,089</u>	<u>\$ 24,288</u>
Excess of expense over income.....	5,467	7,305
Unexpended balance, beginning of year.....	5,597	12,902
Unexpended balance, end of year.....	<u>\$ 130</u>	<u>\$ 5,597</u>

AMERICAN INSTITUTE BENEVOLENT FUND, INC.

COMPARATIVE BALANCE SHEET

August 31, 1953 and 1952

	<u>1953</u>	<u>1952</u>
Assets:		
Cash	\$ 4,438	\$ 22,560
Marketable securities, at cost (quoted market 1953 \$105,857; 1952 \$78,884) ..	<u>112,722</u>	<u>81,902</u>
Balance of fund	<u>\$117,160</u>	<u>\$104,462</u>

**COMPARATIVE STATEMENT OF INCOME AND EXPENSE
AND CHANGES IN FUND BALANCE**

Years Ended August 31, 1953 and 1952

Contributions	\$ 15,167	\$ 14,342
Income from investments	<u>3,575</u>	<u>2,740</u>
TOTAL INCOME	<u>\$ 18,742</u>	<u>\$ 17,082</u>
Expense:		
Assistance to members	\$ 5,495	\$ 3,470
Stationery, printing and other expense	<u>478</u>	<u>160</u>
TOTAL EXPENSE	<u>\$ 5,973</u>	<u>\$ 3,630</u>
Excess of income over expense	\$ 12,769	\$ 13,452
Gain or (loss) on sale of securities	(71)	495
Balance of fund, beginning of year	<u>104,462</u>	<u>90,515</u>
Balance of fund, end of year	<u>\$117,160</u>	<u>\$104,462</u>

AMERICAN INSTITUTE OF ACCOUNTANTS

**ANALYSIS OF EXPENSES BY DEPARTMENTS
AND ACTIVITIES**

Year Ended August 31, 1953

	<i>Budget</i>	<i>Actual</i>
Departmental:		
Educational, uniform CPA examinations and CPA Handbook.....	\$ 175,930	\$ 172,442
The Journal of Accountancy.....	182,410	180,120
Public relations	77,310	69,791
State society and membership services.....	42,280	40,745
Research	101,220	95,809
Executive, administrative and basic committee service.....	107,160	107,643
Office, purchasing, mailing and shipping.....	106,830	105,289
Accounting	59,330	61,829
Library	28,830	27,399
	<u>\$ 881,300</u>	<u>\$ 861,067</u>
Other than departmental:		
Annual meeting	\$ 11,350	\$ 11,546
Council meeting	19,000	17,620
Executive committee	1,500	1,204
Technical and other committees.....	14,100	11,032
State society staff meetings.....	3,900	2,810
Publications to members.....	100,200	90,646
Rent, electricity, insurance, etc.....	79,000	73,520
Pension costs	21,650	24,535
Auditing and legal fees.....	30,000	21,258
Miscellaneous	—	3,196
Projects:		
Development of accounting personnel.....	40,000	9,967
Commission on CPA standards.....	10,000	10,000
TOTAL EXPENSES.....	<u>\$1,212,000</u>	<u>\$1,138,401</u>

INSTITUTE DEPARTMENT HEADS

